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JOURNAL OF THE TRANSPORTATION RESEARCH FORUM

Volume XXX Number 2 **1990**

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The Effect of Intercity Bus Deregulation On Regional Operators and The Pennsylvania Experience

*by Dr. James H. Miller**

ABSTRACT

Prior to the passage of the Bus Regulatory Reform Act of 1982, opponents of the act forecasted massive abandonments of marginal services that would result in the elimination of vital public transport for a large number of rural residents. Although the intercity bus industry included over 1500 companies, most attention focused on Greyhound Lines, Inc. and The Trailways Bus System: the two systems that accounted for nearly 60 percent of industry revenue. Critics suggested that Greyhound Lines, the dominant carrier would, given new entry, exit, and rate freedom, overwhelm its remaining competition by expanding its network and lowering prices. However, after years of inadequate returns, Greyhound Corporation sold its ailing bus line to a group of private investors, who then also acquired the nearly bankrupt Trailways, Inc. The new Greyhound-Trailways system is now struggling to rebuild its neglected scheduled intercity bus operation.

Often overlooked because of the dominant role played by Greyhound and Trailways are the large number of smaller intercity operators who provide much of the local and regional intercity bus service. These carriers often serve smaller markets and travel non-interstate highways, thus providing needed service to rural communities.

This paper focuses on these regional intercity carriers and, in particular, examines the performance of 22 of these carriers that served Pennsylvania. These 22 carriers, including six Trailways system affiliates, were identified as part of a 1982 study of Pennsylvania's intercity bus industry by the author as annually generating more than $100,000 scheduled intercity revenue. Financial and operating trends are examined in the paper for the period 1978-1987, five years before and five years after deregulation.

In addition to the analysis of financial and operating data, owners and/or managers of a sample of the companies were interviewed to gain qualitative insights into the impact of deregulation upon their company and the industry. Finally, changes in the Pennsylvania intercity bus network are examined to identify significant changes in service levels, or route structures that have resulted within the past five years. This analysis includes an examination of how the private sector, as well as public sector (Section 18 Rural Assistance Program and other government-funded transportation programs), have responded to changes in intercity bus service.

INTRODUCTION

Prior to the passage of the Bus Regulatory Reform Act of 1982(BRRA) (Public Law 97-261), opponents of the act argued that massive abandonments of marginal intercity bus services would result in eliminating transport for a large number of rural residents. Further, they expected that Greyhound Lines, Inc. and Trailways, Inc., the two largest intercity carriers that together accounted for 60 percent of the industry's revenue, would take advantage of the BRRA's proposed open-entry policy and further expand service to compete with independent carriers on their most profitable routes. In mid-1983, Norman R. Sherlock, president of the American Bus Association, declared that "it's Greyhound vs. the world,"(*Business Week,* 1983) as he described the upcoming competitive battles facing the industry. The implication of these forecasts was that the 1500 intercity carriers that accounted for the remaining 40 percent of the industry's revenue would be threatened by the changing regulatory policy embodied in the BRRA.

During the first year following deregulation, these predictions appeared accurate. Both Greyhound and Trailways applied for extensive new authority. Greyhound filed 13 applications for 5,327 miles of new routes; Trailways, Inc. submitted 33 applications for 9,351 miles of new scheduled service authority (Fravel, 1985). However, independent carriers, including National Trailways Bus System affiliates also actively pursued service expansion and submitted 179 new applications for over 32,000 route miles. In addition, the ICC received over 1,700 applications for new interstate charter authority (Fravel, 1985).

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Following this initial burst of activity that, in retrospect, can be viewed as a period when carriers implemented pent-up changes they felt were needed to eliminate longstanding unprofitable services and to rationalize route structures, the intercity bus industry moved into a markedly different phase of consolidation and fundamental change. Greyhound Lines, Inc. withstood a protracted strike in the fall of 1983 in an effort to reduce labor expenses, during which many riders switched to other modes of transport and never returned, a trend that escalated an already steady decline in intercity bus ridership. Furthermore, in 1984 and 1985 Greyhound, and to an even greater extent, small independent carriers, faced rapidly escalating liability insurance rates. During this time, some small carriers, unable to afford and/or obtain insurance, ceased operation. Others greatly reduced their operations.

This flurry of activity in the first two years following the passage of the BRRA has been well documented in the literature. Further, many of the early studies, citing the significant loss of service experienced by small communities in rural midwestern and western states (Kott, 1984; Kihl, 1985; Oster and Zorn, 1986), forecast severe, negative long-term impacts resulting from the regulatory reform. However, events of the past two years, including the sale by Greyhound Corporation of its intercity bus business to a group of investors and the subsequent purchase by the new Greyhound Lines owners of the Trailways, Inc. assets, suggest that the future competitive environment of the intercity bus industry will differ from these early projections.

Often overlooked in analyses of the intercity bus industry, because of the dominance of the two major intercity bus operators, Greyhound and Trailways, are the large number of smaller intercity operators who provide much of the local and regional intercity bus service. These carriers often serve smaller markets and travel non-interstate highways, thus providing needed service to rural communities. Furthermore, because they are frequently a lower-cost operator than either Greyhound or Trailways, these smaller carriers are often the ones to provide replacement service when one of the major carriers withdraws from a marginal market. Consequently these smaller intercity operators have now taken on new significance in their contribution to the industry.

This paper examines the changes that have taken place in the intercity bus industry in the five years following the passage of the BRRA, and more specifically, how these changes have affected carriers in one state, Pennsylvania. Having had a relatively extensive intercity bus system, Pennsylvania has experienced relatively minor change in its intercity service during the past five years, largely because of the significant role played by the National Trailways Bus System affiliates and the independent carriers.

Within the first year following deregulation, several Pennsylvania carriers petitioned to abandon some little-used service; other changes included the addition of two previously unsubsidized Greyhound routes to the state's operating assistance program. However, most of the pre-deregulation network still remains intact. Even the sale of Greyhound and its acquisition of Trailways, Inc. have had little negative effect on intercity service in the state. In fact, the consolidation of the two national carriers has benefited customers and smaller carriers by consolidating terminals in urban areas, and has led to better coordination of schedules.

STUDY METHODOLOGY

In 1983, the author led an intercity bus inventory study in order to help the sponsor, the Pennsylvania Department of Transportation (PennDOT), determine the condition of the intercity bus industry at the outset of deregulation (Miller and Goble, 1984). The state already had an extensive subsidy program for intercity carriers and was concerned how changes brought about by the transformation in the federal entry and exit policies for intercity bus service might affect the Pennsylvania service. This study included a detailed examination of the intercity bus services available to Pennsylvania residents, an examination of the characteristics and condition of the intercity bus carriers serving the state, a survey of the carriers to determine how they intended to respond to changes brought on by deregulation, and how, if at all, the state could assist them to assure continued service to rural areas of the state.

The 1983 study identified 96 carriers that provided intercity scheduled or group and party (chartered) bus service and that filed annual reports with the Pennsylvania Public Utility Commission. Of these, 25 carriers provided substantial (annual, scheduled service revenue of greater than $100,000) and were given more in-depth analysis. These 25 carriers included Greyhound Lines, Inc., two National Trailways companies, American Buslines and Safeway Trails, four independent National Trailways Bus System affiliates, and 18 independent carriers. Approximately half of the independent carriers provided local commuter service into a major urban area such as Pittsburgh, Philadelphia, Allentown, or Reading; the other half provided intercity service that offered the only public transportation service to rural residents.

A second phase of the research, performed in 1987 and 1988, included a follow-up examination of the scheduled intercity services

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five years after deregulation and an analysis of the characteristics of the 25 intercity carriers that provided this service. Pennsylvania Public Utility Commission data from carrier annual reports provided the financial and operating data used for the analysis. Such data, which is included in the carrier's annual PUC report, is not audited. Further, some carriers, especially the smaller ones, fail to report key operating statistics, such as annual mileage and passenger volumes, or report such operational data incorrectly; thus the data is often incomplete. Therefore, although revenue, and expense data is reported for all carriers, many important performance indicators are not reported for all carriers because of data shortcomings.

The *Russell's Official National Motor Coach Guide* (Russell's, 1982-1986) provided the schedule and route data required to compare service levels and towns served in 1982 and 1986. The more recent analysis was also augmented by interviews with major Pennsylvania intercity bus managers, as well as with PennDOT staff, who are responsible for managing the state's subsidy program. Taken together, the 1983 analysis, and the more recent follow-up study document the impact of the BRRA on Pennsylvania's intercity bus network and service providers.

PENNSYLVANIA'S INTERCITY BUS NETWORK BEFORE AND AFTER THE BRRA

Historically, Pennsylvania has enjoyed an extensive intercity bus network that has served all 15 of the state's urbanized areas and 63 of the state's 67 counties. In early 1983, *Russell's Guide* listed 507 points as receiving scheduled intercity service. Carriers providing this service included Greyhound Lines, Trailways, Inc., and four National Trailways Bus Systems affiliates that offered comprehensive service in the central and northeastern parts of the state. Also 18 independent carriers provided service both in the western portion of the state and in the Reading, Allentown, Philadelphia area. These independent carriers operated local or regional routes that focused on a single urban hub or that connected a number of communities in a particular region of the state.

In the four years following deregulation, based upon an analysis of *Russell's Guide* listings for 1982 and 1986, the number of Pennsylvania points served decreased from 507 to 348. Although this statistic represents a 31 percent reduction in the number of points served, the impact on riders was not as severe as this indicator would suggest. Just as in the case of the national abandonment statistics reported above, most Pennsylvania abandoned points were flag stops in sparsely populated areas. Also, some of the points dropped from the Russell's Guide listing had been included on routes that were being served only once a year in order for the carrier to retain its operating authority.[1] Table 1 disaggregates the points-served data by population of the area served for both 1982 and 1986. As shown, more than three-fourths of the points losing service were areas of less than 2,500 population. Figure 1 shows the Pennsylvania intercity bus network for 1982 and the service changes that took place through 1986.

While most of the service abandonments resulted from independent carriers eliminating infrequent service to rural communities, within three months of the passage of the BRRA, the Greyhound Corporation proposed more significant abandonments involving seven routes or portions of routes within Pennsylvania. Despite denial of this abandonment request by the Pennsylvania Public Utility Commission, Greyhound was allowed to abandon five of the routes when the ICC overruled the PUC, using the state preemption provisions of the BRRA. However, two of these routes, Philadelphia to Gettysburg, and Philadelphia to Scranton, covered a significant portion of expenses with passenger revenue (approximately 75-77 percent) and met the other conditions of the Pennsylvania subsidy program, so they were added to the state program in fiscal 1983-1984 and continued.

Another significant change in Pennsylvania's scheduled intercity network involved realignment of some of the routes served by NTBS affiliates that were originally part of the Edwards Lakes-to-Sea system. Edwards had been an independent company, but Trailways, Inc. purchased the company in 1969 and gradually integrated its service the Trailways' schedules. The heart of the Edwards network was its New York to Cleveland route. However, once the interstate highway system was open, Trailways deemphasized this route in favor of faster interstate routing so that most of Trailways' traffic used non-Edwards service.

Consequently in the late 1970s and early 1980s, Trailways, Inc transferred nearly all of the former Edwards routes to NTBS affiliates. Fullington Autobus Company (Fullington Trailways) took over most routes in central and western Pennsylvania and purchased the Edwards terminal in Dubois; Capitol Trailways took over the Elmira New York to Sunbury service; Ashland and Shamokin Bus Lines (King Coal Trailways) took over the Williamsport to Philadelphia route. Within the past three years, though, several of these routes have changed operators. For example, the Ashland and Shamokin Auto Bus Co. ceased scheduled service and transferred its routes to Susquehanna Trailways, a charter and school bus operator that had previously operated

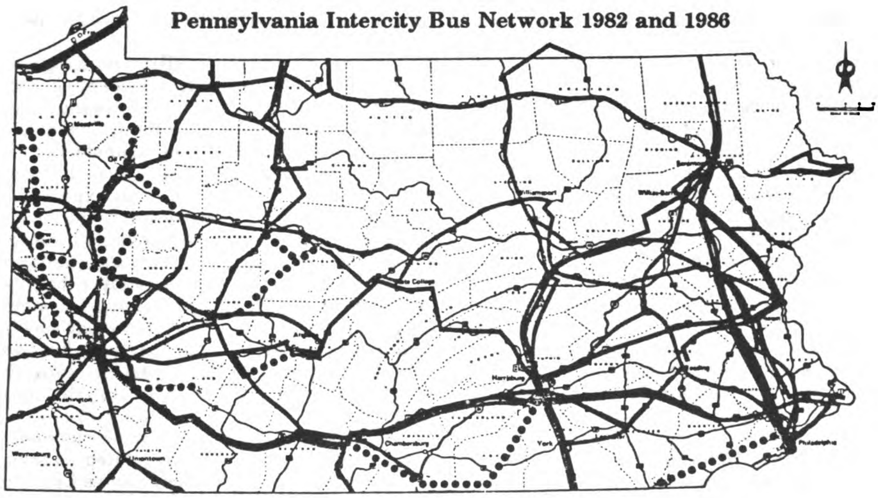
TABLE 1

Number of Pennsylvania Points Served by Scheduled Intercity Service between 1982 and 1986

Population of Area Served	1982	1986	Points Losing Service	% of Points Losing Service
Less than 2,500	301	177	124	77.99%
2,500 - 9,999	141	109	32	20.13%
10,000 - 49,999	48	45	3	1.89%
Greater than 50,000	17	17	0	.00%
Total Points	507	348	159	100.00%

FIGURE 1

Pennsylvania Intercity Bus Network 1982 and 1986



●●●●● Routes Abandoned Between 1982 and 1986

only local transit service. Capitol Trailways gave up its Elmira to Sunbury route with Fullington Trailways integrating the northern part of the route into another schedule, and Susquehanna Trailways taking over and adding the southern part of the route to service previously acquired from King Coal Trailways.

These route transfers appear, as well, in the national studies of BRRA impacts as service abandonments and carrier substitutions (Motor Carrier Ratemaking Commission, 1984). The net effect of these changes on intercity service, however, was minimal. Deregulation did not seem to cause carriers to abruptly withdraw their service, but rather the changes that occurred represent a voluntary realignment of routes among cooperating NTBS carriers to achieve operating efficiencies and to respond to carrier business plans.

The final noteworthy service change in Pennsylvania that occurred during the five years following the passage of the BRRA occurred in February 1986 when the Grove City Bus Lines abandoned all scheduled service prior to the sale of the company to a charter and school bus operator. In 1982, Grove City Bus Lines had operated four round trips between Pittsburgh and Sharon Pennsylvania, and one round trip between Grove City and Erie. Both services had been part of the state's intercity bus subsidy program and in 1985 had received over $140,000 in state operating support. Given the presence of adequate state subsidies for this scheduled service, therefore, the decision to abandon it apparently was made for other

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business reasons rather than losses on the service. Since the abandonment, no substitute service has been introduced over the Grove City routes.

PENNSYLVANIA'S INDEPENDENT REGIONAL INTERCITY CARRIER

One of the keys to Pennsylvania's preservation of a comprehensive intercity bus network has been the presence of a relatively large number of well-established, independent regional carriers. The 1983 study identified 25 carriers that produced operating revenue of more than $100,000 from non-local scheduled service, including Greyhound Lines and two national Trailways companies, American Buslines and Safeway Trails, Inc. Table 2 lists these carriers and groups the independent carriers into two categories, those whose only scheduled service is suburban commuter in nature, and those that provide more general intercity service. Table 2 also lists the independent NTBS affiliates, including one firm that was not included in the 1983 list. Susquehanna Trailways (previously known as Susquehanna Transit) did not provide intercity scheduled service in 1982; however, it shortly thereafter took over the intercity scheduled routes operated by Ashland and Shamokin Auto Bus Co.

Table 3 lists total revenue and the percent of revenue derived from scheduled service for the 16 intercity carriers providing non-commuter service in 1978, 1982, and 1987. Since deregulation, the three national carriers, Greyhound Lines, and the two National Trailways companies serving Pennsylvania experienced declining revenue.[2] Throughout the 1978-1987 period, the three national carriers depended upon scheduled service for 70 percent or more of their total revenue. Therefore, unlike the smaller regional carriers that had significant charter and other non-scheduled operations, the major carriers were not able to develop alternative revenue sources to compensate for the declining scheduled service segment of their business.

The revenue trends for the three NTBS affiliates that provided intercity service throughout the study period indicate a strong commitment to scheduled service. These carriers were Fullington Trailways, Martz Trailways, and Capitol Trailways. Fullington Trailways' scheduled revenue increased dramatically in the pre-BRRA period due to the firm's decision to affiliate with the NTBS and to take over the former Edwards Lakes-to-Sea routes. And, during the five years following deregulation, scheduled service continued to grow significantly as the company expanded its intercity service in the north-central portion of the state. This expansion was due to the operator's strong commitment to scheduled service and to the state financial assistance provided for much of this service; in 1987-1988 Fullington Trailways received over $400,000 in state intercity operating assistance to help support six routes.

Martz Trailways continues to obtain a significant share of revenue from scheduled service also. This share has grown since deregulation mostly because of expanded service to Atlantic City. Capitol Trailways, on the other hand, shows an increased dependence on scheduled service because of a drop off in charter and other revenue. Because of severe cost pressures precipitated by the insurance crisis and its high-wage, unionized labor force, Capitol Trailways has been forced to retrench; it sold approximately 40 percent of its fleet in 1983-1984 to raise capital. This company has also suffered in its charter business from competition with lower-cost carriers that entered the business following the passage of the BRRA.

The two other NTBS affiliates, King Coal Trailways and Susquehanna Trailways, show dramatic changes in total revenue and scheduled revenue because King Coal ceased scheduled operations and transferred its routes to Susquehanna Trailways. Between 1982 and 1987, not unexpectedly, Susquehanna Trailways' total revenue and share of revenue due to scheduled service increased dramatically. Susquehanna Trailways shows a 100 percent scheduled revenue for 1978, but this statistic stems only from the company's local transit service that was in operation at the time but was abandoned prior to its expansion into the scheduled intercity business in the mid-1980s.

The independent, non-NTBS carriers show less commitment to scheduled service throughout the study period. Grove City Bus Lines terminated all scheduled operations in 1986 but showed .11 percent (approximately $1,000) in scheduled revenue for 1987. Blue Bird Coach Lines has also reduced its scheduled operations in northwestern Pennsylvania from its already small 5 percent share in 1982 to less than 2 percent in 1987. However, two independent carriers in eastern Pennsylvania, Carl R. Bieber Tourways and Trans-Bridge Lines, experienced both increased total revenue and an increased dependence on scheduled service. While most of this service is commuter in nature, both companies also provide intercity service to rural portions of their service areas. The scheduled services of the Chenango Valley Bus Lines and Lincoln Coach Lines contributed about the same share of total revenue in 1987 as they did in 1982, although both firms had deemphasized scheduled service before the BRRA. Finally, Blue and White Lines experienced the consequences of the insurance crisis and responded in the same way as Capitol Bus -- it sold buses to reduce its insurance liability and

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TABLE 2

Pennsylvania Intercity Scheduled Operators (1982-1986)

Carrier	Status of Scheduled Service Operations In 1982	1986
Greyhound Lines	Operating	Operating - new owner
Trailways, Inc.		
American Buslines, Inc.	Operating	Acquired by Greyhound Lines
Safeway Trails, Inc.	Operating	Acquired by Greyhound Lines
National Trailways Bus System		
Ashland and Shamokin Auto Bus Co. (King Coal Trailways)	Operating	No scheduled service
Capitol Bus Company (Capitol Trailways)	Operating	Operating - new owner
Fullington Autobus Company (Fullington Trailways)	Operating	Operating
Frank Martz Trailways	Operating	Operating
Susquehanna Trailways	No intercity service	Operating
Independent Intercity Carriers		
Carl Bieber Tourways	Operating	Operating
Blue Bird Coach Lines	Operating	Operating
Blue and White Lines	Operating	Operating
Butler Motor Transit	Operating	Operating
Chenango Valley Bus Lines	Operating	No Pennsylvania Scheduled service
Grove City Bus Lines	Operating	Ceased operation 2/86
Lincoln Coach Lines	Operating	Now owned by Blue & White Lines - Operating
Trans-Bridge Lines	Operating	Operating
Independent Suburban/Commuter Carriers		
88 Transit	Operating	Operating
Central Cab	Operating	Operating
Edenfield Stages	Operating	Operating
G. G. & C. Bus Co.	Operating	Operating
Grenaldo, D., Inc.	Operating	Operating
Lodestar Bus Lines	Operating	Operating
Reeders, Inc.	Operating	Operating
Starr Transit	Operating	Operating
Suburban Lines	Operating	Ceased operations
Trenton-Philadelphia Coach	Operating	Merged into SEPTA (local Philadelphia transit)

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TABLE 3

Total and Scheduled Revenue Trends for Pennsylvania Intercity Bus Carriers

Carrier	1978 Total Revenue	1978 % Sched. Revenue	1982 Total Revenue	1982 % Sched. Revenue	1987 Total Revenue	1987 % Sched. Revenue
Greyhound	$593,548,497	69.99%	$849,527,943	72.42%	$640,768,337	71.06%
Trailways, Inc.						
American Buslines	37,451,809	64.20%	43,932,349	74.25%	N/A	N/A
Safeway Trails	20,161,392	73.03%	30,012,521	82.97%	N/A	N/A
National Trailways Bus System						
Ashland & Shamokin Auto Bus (King Coal Trailways)	1,560,312	3.48%	1,390,555	31.54%	856,322	N/A
Capitol Bus (Capitol Trailways)	3,566,535	42.09%	8,851,751	63.86%	6,528,327	69.76%
Fullington Auto Bus (Fullington Trailways)	1,109,690	8.30%	2,727,648	33.80%	3,171,174	39.82%
Martz Trailways	2,684,966	55.53%	8,727,173	37.48%	9,566,256	43.79%
Susquehanna Trailways	273,199	100.00%	1,997,477	2.77%	3,724,488	27.38%
Independent Carriers						
Carl R. Bieber Tourways	3,273,529	29.74%	6,010,175	30.59%	6,558,230	53.55%
Blue Bird Coach Lines	4,331,177	4.77%	10,152,715	5.08%	12,347,304	1.74%
Blue & White Lines	1,478,466	27.56%	4,404,552	8.90%	2,717,825	10.95%
Butler Motor Coach	671,871	N/A	1,856,426	N/A	2,249,235	N/A
Chenango Valley Bus Lines	498,522	32.09%	1,218,929	13.86%	1,986,650	15.55%
Grove City Bus Lines	1,524,846	11.15%	3,496,608	8.13%	1,233,440	.11%
Lincoln Coach Lines	634,051	27.00%	2,820,948	16.00%	1,812,999	18.07%
Trans-Bridge Lines	756,122	.12%	2,534,579	11.01%	5,668,507	42.95%

raise capital. While in 1978 it had depended on scheduled revenue for 28 percent of its revenue, Blue & White had abandoned much of this service by 1982, so only about 10 percent of its revenue was derived from scheduled operation during the five years following deregulation.

In summary, the 13 independent NTBS and non-NTBS intercity carriers that provided scheduled service in Pennsylvania prior to deregulation continue in large part to do so. Perhaps hardest hit by deregulation was Capitol Trailways, a long-established company that was squeezed by high labor and insurance costs and at the same time required to engage in price competition with new charter carriers that entered the field following BRRA. Two carriers terminated scheduled operations: one, a NTBS affiliate, transferred its routes to a new NTBS affiliate so no service was lost. The other, Grove City Bus Lines, terminated all scheduled service prior to selling the business; no substitute service has resulted.

Although the 13 independent Pennsylvania carriers continue to provide substantial scheduled services, they have not achieved profitability levels that assure long-term continuation in the business. Table 4 lists the before tax operation ratios (operating expense to operating revenue) for each company as reported in the Pennsylvania PUC Annual Reports for 1978, 1982, and 1987. As indicated in the table, in 1987 only two carriers achieved operating ratios below 93, the Pennsylvania PUC's standard of reasonable profit. In both 1978 and 1987, 7 carriers reported operating ratios above 100, indicating a loss on operations before interest, taxes and other non-operating expenses. While the operating ratio is not the only, or the best measure of the financial condition, or long-term viability of a carrier, the performance of the independent Pennsylvania carriers, as measured by this indicator, is not encouraging. None of the carriers now providing scheduled service has indicated that they intend to discontinue the present service. However, if the financial performance of the carriers does not improve, such terminations would not be unexpected. In light of these cost and competitive pressures, one way Pennsylvania has maintained its intercity network is through the state's program of intercity bus operating assistance which is described in the next section.

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TABLE 4

Operating Ratio Before Taxes for Pennsylvania Intercity Carriers

Carrier	Operating Ratio Before Taxes 1978	1982	1987
Greyhound	97.4	100.2	98.1
Trailways, Inc.			
American Buslines	102.7	107.6	N/A
Safeway Trails	111.3	108.0	N/A
National Trailways Bus System			
Ashland & Shamokin Auto Bus (King Coal Trailways)	94.9	95.6	96.0
Capitol Bus (Capitol Trailways)	91.3	87.6	108.0
Fullington Autobus (Fullington Trailways)	91.4	91.0	104.8
Martz Trailways	93.5	96.5	99.9
Susquehanna Trailways	N/A	87.0	91.0
Independent Carriers			
Carl R. Bieber Tourways	96.5	91.4	100.8
Blue Bird Coach Lines	102.3	96.8	99.7
Blue & White Lines	94.2	93.9	103.8
Butler Motor Coach	101.6	102.5	108.0
Chenango Valley Bus Lines	103.6	92.2	92.5
Grove City Bus Lines	111.9	98.5	104.0
Lincoln Coach Lines	143.5	93.4	108.3
Trans-Bridge Lines	93.3	113.7	98.2

THE EFFECT OF THE BRRA ON PENNSYLVANIA'S INTERCITY BUS SUBSIDY PROGRAM

The Commonwealth of Pennsylvania has provided direct operating subsidies to intercity bus carriers since 1976. State law allows the Pennsylvania Department of Transportation (PennDOT) to reimburse carriers for up to 75 percent of the losses incurred by providing intercity scheduled service; however, the calculation assumes that passenger revenue accounts for at least 40 percent of expenses when making the subsidy determination. If the revenue accounts for less than 40 percent of expenses, the carrier must cover the difference along with the 25 percent of losses not covered by the state's subsidy. As shown in Table 5, the program has been relatively stable over the past seven fiscal years with gradual additions to the number of subsidized routes and miles. In fiscal 1981-1982, Pennsylvania subsidized nine routes operated by six carriers, including Greyhound and Trailways, Inc. These subsidized services provided 844,190 vehicle miles of service and transported 184,241 passengers at a state subsidy of $420,000. On average, these routes covered 54 percent of expenses from passenger revenues. In recent years, the number of carriers participating in the subsidy program has dropped to four due to the abandonment of all scheduled service by Grove City Bus Lines, the operator of two subsidized routes, and the dropping of a short commuter run by a carrier in northeastern Pennsylvania.

Other than the two previously discussed Greyhound routes that were added to the state program in 1983-84, no additional intercity routes were added to the state subsidy program until 1986 when two route segments, operated by the Fullington Auto Bus Company (Fullington Trailways), were added to the company's subsidized network in the central and western portion of the state.

While the state's resources are not unlimited, PennDOT continues to be open to new proposals for subsidized intercity service. However, services that have been discontinued since the BRRA have not qualified for the state subsidy because of low ridership and cost-recovery potential, and other services that may have been successful have been discontinued because the carrier providing them did not want to meet the

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TABLE 5

Pennsylvania's Intercity Bus Operating Assistance Program (1981 - 1988)

Fiscal Year	Carriers in the Program	Number of Subsidized Routes	Annual Bus Miles	Annual Passengers	Total Subsidy
1981-1982	6	9	844,190	184,241	$ 419,666
1982-1983	6	9	846,403	184,369	407,602
1983-1984	6	11	1,088,517	222,819	547,606
1984-1985	6	11	1,311,226	258,850	708,173
1985-1986	6	13	1,385,592	237,848	939,417
1986-1987	5	13	1,472,127	255,925	921,965
1987-1988	4	13	1,534,875	253,721	962,292

reporting and other requirements of the state program and chose to abandon service rather than seek subsidy.

In addition to the intercity subsidy program, public transportation services are assured to rural residents in Pennsylvania, and in particular, senior citizens, as a result of several other state funded programs. Fortunately, rural public and specialized transportation systems were being established in Pennsylvania, as well as in many other states, during the late 1970s and early 1980s before deregulation. These systems were begun to meet the mobility needs of persons who were dependent upon public transportation and who were adversely affected by the intercity service abandonments. For example, 42 Pennsylvania counties are now being served by county-wide or local, urban, or rural fixed-route systems.

Furthermore, state lottery funds support an extensive shared-ride transportation system that is available in all Pennsylvania counties and provides for 90 percent reduction in fares for senior citizens, a group most often identified nationally as the most severely affected by the intercity service cuts. This shared-ride program funded over 6.5 million rides in fiscal 1987-88 at a cost to the state of over $45 million. Together with the rural fixed-route systems, consequently, these shared-ride systems have helped provide the mobility that can no longer be economically rendered by scheduled intercity services.

SUMMARY

The intercity bus industry in the United States has undergone dramatic changes following the enactment of the Bus Regulatory Reform Act of 1982. Many of these changes, such as abandonment of unprofitable services by scheduled carriers, rate increases for intrastate routes, and an explosion in the number of new charter and special operations authority applications were expected. Further, the lack of applicants for new scheduled service is not surprising, given the overall decline in market share for intercity scheduled service because of increased competition from low-cost airlines and the increased ownership of the private automobile. The major impact of the 1982 act was to facilitate, as well as increase the pace of these changes that were already evident prior to the BRRA.

The negative consequences of the Act, the abandonment of service to rural areas and the increase in intrastate fares, have not been as severe as early studies suggested. Western and midwestern states appear to have been more severely affected than states in the northeast. Pennsylvania, the state given special consideration in this paper, experienced only minor losses of service, and has retained most of its intercity service. This good fortune is in large part due to the presence of a number of established independent carriers that provide viable intercity service to both urban and rural portions of the state. While several carriers have ceased operation within the past years for reasons primarily unrelated to deregulation, the overall network remains strong. Furthermore, Pennsylvania's state-funded intercity financial assistance program has provided support for a portion of the network that is not commercially viable, but which covers a significant percentage of costs from passenger revenues and meets an important public need. In addition, in Pennsylvania as well as throughout the country, when private intercity bus services have been abandoned, publicly funded rural transit systems have been able to meet the needs of the transportation dependent persons who have no other means of mobility.

The change that portends the greatest significance in the intercity bus industry, and

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one that was not forecast prior to deregulation, was the change in ownership of Greyhound Lines, the largest intercity carrier, and the subsequent purchase by the new Greyhound Lines owners of the nearly bankrupt Trailways, Inc. system. The sale of Greyhound Lines to the investor group, and the combination of assets, including buses, and terminals of Trailways, Inc., have brought at least a temporary pause in the downward spiral in the intercity industry. The problems in the industry in the past decade had resulted in Trailways, Inc. and Greyhound Lines both shrinking the size of their systems through abandonments or franchising of routes.

The independent regional carriers will play an important role in the intercity bus service of the 1990s. These carriers will provide competition for Greyhound Lines in markets that can support multiple carriers, thus reducing concerns about potential monopoly abuse. They also will work closely with Greyhound Lines to coordinate routes and schedules so that the independent carriers and Greyhound Lines can feed riders to each other much in the same way the commuter airlines feed the major airlines.

Consequently, while the scheduled service portion of the intercity bus industry will continue to face intense cost and intermodal competitive pressures, changes in the industry since the 1982 passage of the BRRA have resulted in an industry structure that offers promise for the preservation and improvement of service and the long-term viability of the carriers providing it. However, close cooperation between Greyhound Lines, the still-dominant national carrier, and the small, independent regional carriers will be required to ensure the continuation of this important surface transportation resource.

ENDNOTES

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1. The 1983 Pennsylvania study identified 13 schedules that operated less frequently than once a day; three operated one round trip a year, five operated only one round trip a month. Interestingly, an analysis of a 1988 *Russell's Guide* shows that six of these schedules are still listed even though the need to operate them to maintain operating authority is no longer present.

2. For 1985, the last year that Safeway Trails, and American Buslines reported data to the Pennsylvania PUC, total revenue reported was $29.2 million and $32.7 million, respectively.

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